

**SMALL BUSINESS, BIG GAINS: HOW ECONOMIC
RENEWAL CREATES SAFER NEIGHBORHOODS**

FIELD HEARING
BEFORE THE
SUBCOMMITTEE ON EMPOWERMENT
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HEARING ON SMALL BUSINESS, BIG GAINS: HOW ECONOMIC RENEWAL CREATES SAFER NEIGHBORHOODS

TUESDAY, MAY 11, 1999

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EMPOWERMENT,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:30 a.m., at the Nehemiah Community Center, 2425 14th Street, NW, Washington, DC 20010, Hon. Joseph Pitts (Chairman of the Subcommittee) presiding.

Chairman PITTS. Ladies and gentlemen, the time of 10:30 having arrived, we will convene this public hearing of the Empowerment Subcommittee. I am Congressman Joe Pitts, from the 16th Congressional District, Pennsylvania, and we will be joined, hopefully, shortly, by another member of the Committee.

Thank you for joining the Subcommittee on Empowerment today to discuss the important issue of economic renewal and its effect on our Nation's communities. The site of today's hearing is a perfect example of the type of renewal that we wish to address.

The Nehemiah Project arose from four vacant lots, due to the hard work and determination of the concerned citizens of this community, and I would like to take this opportunity to thank the members of the Nehemiah Community Cooperative for hosting this hearing.

Today, the Subcommittee will explore the relationship between the revitalization of abandoned commercial strips and the increased sense of safety and higher quality of living in the surrounding community. Additionally, the Subcommittee will discuss the increased operating costs that small business owners face in areas with high crime rates.

The issues of crime and safety are often on people's minds as they go through their day. This is especially true in neighborhoods where job opportunities are sparse and unemployment is high. Dilapidated and unused commercial strips contribute to the general sense of malaise and fear that one feels after walking by abandoned lot after abandoned lot. What is truly unfortunate in these situations is that business owners begin to believe that they cannot achieve economic certainty in these areas because of the state of disrepair. As members of our panel will tell us, this line of reasoning is counterproductive. Many areas in our Nation, especially in our inner cities, have quite unique business advantages. They

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are usually strategically located near public transportation and highway hubs. They usually have a high population density which translates into substantial purchasing power and they usually have a vast, untapped, labor pool.

Once businesses decide to take root in underutilized commercial space, a sense of renewal takes hold of a community. As businesses are encouraged to move into a community, street cleaning initiatives and neighborhood watch programs tend to follow. During this cycle of renewal of hope and strengthening of the economic base, crime will start to decrease. The purpose of today's hearing is to learn how communities have been able to get this cycle started.

While economic renewal can raise the spirit and sense of safety in a neighborhood, a high crime rate can have a detrimental effect on the business prospects of an area. Pervasive crime will often raise the costs of doing business in a neighborhood because of higher insurance rates and the costs of hiring extra security. Additionally, when a crime is committed against a business, it tends to weigh heavily on the mind of a business owner and may change his willingness to remain in an area. Even the perception of a high crime rate causes entrepreneurs to look for property elsewhere. This perpetuates a vicious cycle where businesses do not locate in a community because of this perception and residents of these areas are forced to spend their dollars in other communities.

Today we will hear from real-life experts, no government employees or high-priced consultants, who will talk about the work that they have been doing to foster economic renewal in their communities. Todd Mosley, the Executive Director of Thumbs Up, will discuss his work with the youth mentoring program; Curtis Watkins, the founder and Director of the East Capitol Center for Change, will speak about the work he has done with at-risk youth in the East Capitol dwellings. Albert Hopkins, the President of the Anacostia Economic Development Corporation, will discuss his corporation's work renewing its community. Celina Trevino, the Executive Director of the Latino Economic Development Corporation, will testify about the changes that have been made in this community by the Nehemiah Project; and Robert Moore, the President of the Development Corporation of Columbia Heights, will discuss how the Nehemiah Project was able to rise from the ashes of the civil disturbances that occurred in 1968.

I look forward to the enlightening testimony of our panel and would now like to turn to the distinguished—well, no other members have arrived yet, but we will let them speak when they come. We will turn to the first witness and our host today, Robert Moore, President of the Development Corporation of Columbia Heights.

[Mr. Pitts' statement may be found in the appendix.]

**STATEMENT OF MR. ROBERT MOORE, PRESIDENT,
DEVELOPMENT CORPORATION OF COLUMBIA HEIGHTS**

Mr. MOORE. Thank you, Mr. Chairman. It is, indeed, my pleasure to present testimony before the Subcommittee on Empowerment, the House Committee on Small Business, in the middle of Nehemiah Home ownership housing and retail development. The Nehemiah Project closely corresponds with the Subcommittee's interest in the economic renewal of neighborhoods, the relationship between

abandoned commercial strips, and achieving a higher quality of life in the surrounding community.

The 14th Street area, where we sit, was once a major commercial corridor extending for over 12 blocks. The corridor held some 308 nonresidential establishments, including 2 movie houses, 66 general merchandise, apparel, and furniture stores, along with 27 restaurants and entertainment venues. The commercial corridor and our excellent housing stock were the attractions to the neighborhood. The vibrant commercial corridor began to experience difficulties in the early 1960's as economically mobile households moved to the growing suburbs beyond Silver Spring, Maryland and into nearby Virginia, as farmland was developed for detached homes. Businesses began to follow income to the suburbs, leaving a weaker and unfitting commercial area relative to resident needs.

It should be noted that Federal policies continued to decline in the 14th Street and other commercial corridors that served inner-city neighborhoods. Federal Housing Administration, FHA, insurance made readily available to support development in the suburbs, resulted in redlining in Columbia Heights. Transportation policies focused on funding for the Beltway and other highway projects, all designed to bring suburban commuters into and out of the city.

The 14th Street commercial corridor became a focus of the civil disorders on April 4, 1968, following the assassination of Dr. Martin Luther King, Jr. Some 61 percent of the commercial properties, 275 buildings, were damaged, nearly half the total loss, according to the National Capital Planning Commission Report "Civil Disturbances in Washington, D.C., A Preliminary Damage Report." Depopulation quickly followed the disorders and the Federal Government purchased and cleared 62 acres of land for redevelopment. The thought seemed to be, if we clear it, they will come. They did not come. Without a commercial center, the neighborhood stagnated with no new investment. Crime and street drug sales became all too common to the corridor, and all other social indicators decreased dramatically.

The government's response was building over 3,400 units of assisted rental housing. While the housing for lower income households was needed, the intervention was one-dimensional. There were no programs for home ownership, or efforts to replace retail development lost during the disorders. The impact of the neighborhood urban renewal program was to decrease the home ownership rate in Columbia Heights to 20 percent of the housing units. In effect, Columbia Heights became a temporary stopover, when the real need for building community was more stakeholders.

It took almost 30 years for the first new ownership housing and a retail center to be. Through the aggressive work of nine non-profit organizations and the investment by nine private lenders, an insurance company, several philanthropic entities, and the District of Columbia Department of Housing and Community Development, a new front door to the neighborhood was developed.

We now have some of the basic commercial services needed to attract new homeowners, to in-fill vacant houses, and to become real stakeholders in a better future for the neighborhood. The issues of crime and violence remain concerns. We have made some small inroads to reducing crime, but much more remains to be done. Some

31 years after the disorders, we need more help than ever. That assistance must be targeted to increasing small business development and simultaneously creating jobs. These are the keys to reducing crime and violence.

Thank you, Mr. Chairman.

[Mr. Moore's statement may be found in the appendix.]

Chairman PITTS. Thank you, Mr. Moore, for your testimony.

We will hear the testimony of all the witnesses before questions. We will now hear from Todd Mosley, Executive Director of Thumbs Up Youth Enterprises.

**STATEMENT OF MR. TODD MOSLEY, EXECUTIVE DIRECTOR,
THUMBS UP, YOUTH ENTERPRISES**

Mr. MOSLEY. Good morning and thank you, Chairman Pitts, staff, community, and guests. My name is Todd Mosley and I work with some amazing young people here in Washington, D.C. My youth group, Thumbs Up, Youth Enterprises, provides an economical alternative to the drug trade. The youth and I have built a strong business that currently employs about 15 youth part-time. Thumbs Up has generated more than \$90,000 in youth wages in four years. I have seen the dependence on the drug trade decrease in visible and substantial ways due to the efforts of local policing activities, engaged neighbors and parents, and the economic impact of the \$90,000 Thumbs Up has placed into the hands of local youth in the form of wages.

Some say money is the root of all evil. In my neighborhood, the lack of money is the root of evil. The instinctual desires and economic necessities of kids wanting to work is as true today, if not more, than it was when most of us were busing tables, mowing yards, or working at the local shopping mall. D.C. youth live in a local economy that is not generating enough part-time jobs. These same youths are more often than not, raised by single mothers, like I was, who can barely make ends meet. A weekly allowance of \$20 or \$40 can become economically stressful for single mothers and can become practically impossible if she has more than one child.

For many D.C. youth, the reality is, you can make money either one of two ways. You can work at McDonalds or you can sell drugs. There is very little in the middle. We must grow this middle area.

Profound change will take time. Short-term results are possible. Bad habits must be broken. Jobs must be created. Wages must be earned. Savings must be accumulated.

What I am proposing is intended to interrupt the cycle of poverty that dominates so many D.C. neighborhoods. In D.C. neighborhood economies, I see critical-mass changes as the only honorable and genuine goal. Anything less is a Band-Aid.

I propose starting with about one thousand D.C. youth, between the ages of 14 and 21—and at less than a \$3 million cost per year to the Federal Government and probably close to \$2 million a year—provide area business owners with a 100 percent youth-investment tax credit for hiring local teenagers, part-time. A youth-investment tax credit creates jobs and opportunities where none have previously existed. Home-based businesses, one-and two-person enterprises, and contractors of all types could benefit from an apprenticeship. Literally hundreds of jobs could be created.

A youth-investment tax credit rewards excellence because young people would compete with other young people to acquire and keep the apprenticeship positions, which include additional benefits and conditions. For example, a local grocer may have eight young people working, but only three are counted as apprentices.

A youth-investment tax credit rewards commitment and relationship development because employers can only choose one youth per apprentice slot per year. The incentive is to commit and to focus on strong partnerships between local youths and local business owners. Local youth can even choose where they would like to work. They can seek out preferred locations, preferred employers, and then approach the business owner with the 100 percent tax credit opportunity. Self-determination by youth, again, is a component. The capital invested by the business owner is emotional and professional, not financial.

A youth-investment tax credit increases the tax base, expands neighborhood cash flow, and expands small businesses, by placing \$3 million into the hands of local youth in the form of wages; provides \$3 million in tax credit for local businesses; creates new jobs, adds new taxpayers to the rolls, and expands D.C.'s tax base from the inside out, not the often discussed, outside in.

Another important component of neighborhood economic growth is savings accumulation and investment. As we get into the discussion in a few minutes, hopefully, we can look at creative ways to attract youth to the habits of saving and investing their earnings.

Thank you for the opportunity to let me testify before you today.

[Mr. Mosley's statement may be found in the appendix.]

Chairman PIRTS. The Chair thanks you, and notes that the gentleman from South Carolina, Congressman DeMint, has joined us.

And for those of you standing in the rear, there are seats available upstairs if you want to sit down. There are plenty of seats up there.

We will go now to Mr. Curtis Watkins, Director of the East Capitol Center for Change.

STATEMENT OF MR. CURTIS WATKINS, DIRECTOR, EAST CAPITOL CENTER FOR CHANGE

Mr. WATKINS. Good morning, Mr. Chairman and members of the Subcommittee and guests, and my fellow panel. I am pleased to come to share with you today about my experiences as President of the East Capitol Center for Change, a non-profit organization that serves the youth and adult residents of the 577 unit East Capitol Public Housing Development, the largest in the District of Columbia, being a former resident of this same community and understanding God's purpose for me.

The center was established in 1996 as an all-volunteer organization, to teach, guide and support residents of this low-income neighborhood, so that they can develop productive, successful, spiritual-centered lifestyles—empowering them to make a positive difference in their own community and help others to do the same. Since its inception, the center has worked closely with the grassroots leadership of the neighborhood, the East Capitol Resident Council. Together, we have worked to provide value-based guidance, job training, preparation for entrepreneurship, educational

programs, and employment opportunities for the youth and their parents. Those who are assisted through the services of the center are encouraged to give back to the neighborhood.

I have learned much through my work with the East Capitol Center for Change. I have learned that within our Nation's most disadvantaged communities lies a wealth of creativity, determination, and practical wisdom. I have learned that those that may have been written off by society pose remarkable talents, a desire to succeed, and a sense of pride in, and a commitment to their neighborhood. And I have learned that, in reaching and helping our young people, we should aim high. It is not enough to tell them that they should not get involved with drugs or drop out of school. Showing them what they can do is just as important; sometimes, more important than telling them they should not do that. I must listen to them. We must spark their dreams and we must do all we can to equip them to reach their goals.

The young people who come to the center each day are not simply at-risk youth. They are leaders of tomorrow who are in need of nurturing and skill development in order to reach their full potential. They have eagerly responded to the projects and activities that the center has developed to provide this guidance and training.

Two years ago, we launched a stock investment club. In this club, the youth were given certain amounts of Monopoly money, and they then experimented as teams, making stock investments based on information they received from the daily market reports. At the end of the six-month period, prizes were given to the teams with the highest profit records. It is important to raise the sight of our young people, exposing them to the corporate investment world and teaching them how to build wealth by investing in the future. In addition, we have assisted with hands-on experience and entrepreneurship through a number of micro-enterprises, including a catering business and a tee shirt printing company.

The parents of these kids also have unheralded skills in financial management. Many of them have been able to maintain a household, providing food, clothing, and shelter for their families with the limited income of public assistance. Others have successfully managed their expenses with only a minimum wage job. It is important to recognize and build on the skills of adults as well, and our youth programs provide many opportunities to get parents involved in the center activities.

The East Capitol Center for Change mentoring programs are designed to support and uplift, never to replace the role of the parents. Youth are encouraged and rewarded for incorporating their parents in the center's activities. I am going to go further down in my testimony.

As young people and their families have had an opportunity for training, technical assistance and basic preparation to enter the arena of employment and entrepreneurship, a new sense of cohesiveness, pride, and security has emerged in the community.

I believe the following steps can be taken in the East Capitol Community and other low-income neighborhoods, to promote the self-sufficiency and success of the residents:

First, there must be a change in the perception of the capabilities of these neighborhoods and their residents, which have often been considered as lost causes.

Young people should be exposed to business development skills from the first grade through college.

Youths should be taught investment principles in the process of their education.

Tax incentives should be given the community businesses that make commitments to provide four years of business skill development for youths.

Tax incentives should be given to provide for associations and corporations to develop in-house business development training and internship programs for five years for low-income individuals and youths.

An easier process should be created for community business entrepreneurs to register and comply with licensing requirements.

Community residents should have input regarding the programs that are designed for their neighborhoods, to explain what works and what has value to them.

Tragically, our Nation spends millions of dollars to incarcerate individuals with hopes of changing their lives and behaviors. Investment on the front end is much more effective. Young people should be introduced to a positive vision of business development in their early development years, through the community, their schools, and their homes. This vision would be more powerful than a simple job approach in encouraging youths to become involved in productive, positive endeavors and to avoid the lures and the destructive behavior. The safety and the security of the neighborhoods are improved as residents feel hope for the future and understand, in practical terms, how progress is possible.

Before I close, I must thank God for allowing me the opportunity to work with the East Capitol Resident Council President, Mrs. Evelyn Brown, the National Center for Neighborhood Enterprises staff, and particularly, Bob Woodson, and Aaron Rhones and the East Capitol residents, who have been a major part of the East Capitol Center for Change's success so far.

[Mr. Watkins' statement may be found in the appendix.]

Chairman PITTS. Thank you, Mr. Watkins, for your testimony. It is interesting that you mentioned Bob Woodson and the National Center for Neighborhood Enterprises. The Empowerment Subcommittee consults with Bob Woodson on a variety of issues. I co-chair a group, a bicameral group in Congress, called the Renewal Alliance. In fact, the Executive Director of the group, Robin McDonald, is here; wave your hand Robin.

We will turn now to Mr. Albert R. Hopkins, President and CEO of Anacostia Economic Development Corporation, for his testimony.

STATEMENT OF MR. ALBERT HOPKINS, JR., PRESIDENT AND CEO, ANACOSTIA ECONOMIC DEVELOPMENT CORPORATION

Mr. HOPKINS. Good morning, Mr. Chairperson and members of the Subcommittee on Empowerment of the House Committee on Small Business. I am Albert R. Hopkins, Jr., President and CEO of the Anacostia Economic Development Corporation, a neighborhood-based community development corporation, organized to help

address the overall economic development needs of Anacostia/Far Southeast, Washington.

Anacostia Economic Development Corporation (AEDC) has over the past two years, witnessed the increased sense of community pride which occurs when blighted neighborhoods are converted to striving neighborhood commercial centers or corridors. Safeway, Inc. and AEDC developed a 96,500 square foot shopping center on an abandoned Sears Department Store site in the Anacostia Hillcrest section of Washington, D.C. in 1997. Anacostia is a low-income community with a crime rate reported by police records of over 8,000 incidents per year, and an unemployment rate of 15 percent over the Nation's average.

In December of 1997, the Good Hope Marketplace opened, anchored by a 55,000-square-foot Safeway superstore, and 41,500 square feet of 15 smaller businesses, including a United States Post Office, two banks and a police substation.

The Good Hope Marketplace has increased tax revenue for the District and improved access to goods and services for Anacostia/Far Southeast residents. Eighty-two cents of every dollar is spent on retail goods; over \$150 million in annual sales was being spent in the adjoining suburbs. The Marketplace has captured a portion of those dollars, thereby allowing AEDC to use the profits to reinvest in new neighborhood projects.

The Marketplace has created 185 new jobs for local residents and reduced crime in the area by 46 percent. This striking turnaround serves as a catalyst for changing the overall dynamics of the area. The appearance of a well-maintained, modern shopping center helps in rehabilitating the negative attitudes that permeate the community.

This success serves as an example of the benefits that a commercial shopping center can bring to a community and to the participating businesses. The Safeway superstore, located at the Good Hope Marketplace, is one of the most profitable stores in the District of Columbia metropolitan area. The effectiveness of such a project is also reflected in the life of one local business owner, Mr. Calvin Johnson. Mr. Johnson owns and operates an Athlete's Foot store in the Good Hope Marketplace. Mr. Johnson grew up in the Anacostia community and opened its first Athlete's Foot store a few miles away in a smaller Anacostia commercial strip development three years ago. Due to the success of that store, he was able to open another store in the Marketplace one year later. Mr. Johnson is now negotiating to rent an adjoining store in the Marketplace where he will open another footwear franchise. His success illustrates the positive impact a successful commercial development can have on just one individual's life, not to mention the impact on the staff of young men whom Mr. Johnson hires from the community. Their lives will also be impacted in a very positive way, by not only having a job, but by having Mr. Johnson as a role model to emulate in the future.

With respect to the costs experienced by retail merchants who operate in blighted deteriorating neighborhood commercial corridors in underserved areas, it is well documented that those businesses, in comparison with businesses in safer areas, will pay higher insurance premiums, if they are fortunate enough to be offered

a policy, experience rapid turnover of employees, and denied business loans from financial institutions. In addition, such basic services as municipal street cleaning and regular police patrols will be much less than that experienced by merchants who operate in "better" neighborhoods.

It would seem to me to be quite apparent that if the underserved areas had better public safety services, regular trash and street maintenance services, access to insurance and loans, then the cause-and-effect cycle would be broken. Community residents would have the opportunity to come out from their shelters and participate in normal activities, such as shopping in their neighborhood stores, providing facelifts to abandoned buildings, and becoming active in grassroots efforts to restore their community. The practice of redlining by financial institutions and insurance companies, as well as the lack of normal public services, conspire to ensure that underserved neglected areas remain that way.

In conclusion, as a President and CEO of a community development corporation for over 20 years, it is my expert opinion that commercial development in the underserved community, and the provision of basic public services and access to financial assistance are essential components to developing and maintaining economic growth. The vision of clean and safe community shopping centers and neighborhood commercial corridors facilitates in maintaining and increasing moderate-income residents, which raises an area's tax base, thereby, benefiting the entire community. There are no losers when more revenue flows into a community.

Thank you for allowing me the opportunity to present this testimony.

[Mr. Hopkins' statement may be found in the appendix.]

Chairman PITTS. Thank you, Mr. Hopkins. I am sure that we will have a lot of questions for you. The last witness is Celina Trevino, Executive Director of the Latino Economic Development Corporation.

STATEMENT OF MS. CELINA TREVINO ROSALES, EXECUTIVE DIRECTOR, LATINO ECONOMIC DEVELOPMENT CORP.

Ms. ROSALES. Yes. Thank you. Good morning, my name is Celina Trevino Rosales. I am Executive Director of the Latino Economic Development Corporation, LEDC. We are a private non-profit organization which serves the District of Columbia's multi-cultural communities of Adams Morgan and Mount Pleasant.

I thank you for the opportunity to speak about the subject of economic renewal. This is a much-talked-about, but more importantly, acted-upon phrase in our communities. Commercial corridor revitalization, as we refer to this movement in our community, has manifested itself in multi-level approaches to community development.

LEDC has had laudable success in its conceived micro to macro methodology to individual, cluster and community development, which have helped to bolster these two communities' revitalization efforts and transform their economic fate.

LEDC works at a grassroots level of business development. Since our initial efforts in Adams Morgan and Mount Pleasant almost two years ago, the cynicism and apathy have been altered to em-

powerment and a defined plan for continued improvements to our community over the long term.

Entrepreneurial spirit is at the core of all our commercial corridor revitalization activities. We have caught a wave of small business devotion in our communities which has uplifted the merchants' commitment to the economy and their ability to make their own economic alternatives work.

The merchants' and residents' concerns and complaints regarding primarily, cleanliness and safety were not being addressed quickly and as permanently as desired. These urban, multi-ethnic, multi-class, and multi-cultural neighborhoods required a comprehensive work strategy and simultaneous points of action to gain resolution.

So much had been promised to these communities from government and non-government entities alike. A new self-reliant, community-based approach is needed. LEDC's development strategy has been to use the existing independent essence to make the merchants and surrounding resources be their own system of action for commercial corridor revitalization. Adams Morgan and Mount Pleasant, comprising 340 businesses, are unique in that over 90 percent of the commerce on the street are from independent, small businesses with no more than five employees at any store. Despite the significant small presence, there are no huge franchises such as the Gap or Wal-Mart that reside in our community. The small businesses provide well for these urban neighborhoods' everyday and entertainment needs.

These small businesses are vested in the community independently and have learned that, as a united force, they can now positively drive the economic base of their corridors. These merchants now seek direction and collaboration opportunities.

Creative resource pooling and implementation of a voluntary business improvement district have yielded the collaborative results ranging from small project undertakings, such as contracting with a non-profit organization, Ready, Willing and Able, to supplement cleanup along their commercial corridors, banner design and installation, the purchase of new trash cans, refurbishment of lamp posts, anti-panhandling campaigns, to larger undertakings such as facade improvements for 125 of 250 storefronts in both communities, creation of a master urban design plan for both communities, serving as blueprints for long-term improvements, as well as implementation of a formal Neighborhood Business Improvement District. Forty thousand dollars of out-of-pocket money from the merchants, has been invested in the community, on a voluntary basis.

One of the more evident clues that our revitalization efforts are taking hold in the community is that the recent design activity of 52 storefronts in Mount Pleasant, beginning construction this June. Mount Pleasant, eight years ago the site of civil unrest and riotous activity, is now a more tranquil and confident community. The more recent round of facade improvement designs for this once rough neighborhood includes less intrusive safety measures for the storefronts. Merchants and residents alike are now enjoying the more prideful benefits of their two-year labor and the true lesson of community building.

LEDC's purpose is to build foundations and promote sustainability; be it for the individual, cluster, or for an entire community. We work hands-on, knee deep, and wholeheartedly with our merchants and target communities with expansive results which have provided systems for advancement on our commercial corridors. The infrastructure now established provides a venue to seek out useful partners and develop productive vehicles for communication and activism. Small business development in our communities is taken seriously and cherished. Revitalization and the costs and energy that it entails are seen as a part of conducting responsible business on our commercial corridors.

It does take an entire community to influence economic change. Thank you.

[Ms. Rosales' statement may be found in the appendix.]

Chairman PITTS. Thank you, Ms. Rosales. We will now pose some questions to the panel and if it is okay with you, Jim, I'll take five minutes and then we will alternate.

First of all, I noticed that a community bank has opened here in the Nehemiah retail center and I am sure that it is quite advantageous to the community. I am particularly interested in your initial financing for the Nehemiah Center. Was the funding for the project mostly in the form of Federal assistance or private grants; and more specifically, was it difficult to secure lenders for the project?

Mr. MOORE. Thank you very much, Mr. Chairman. The retail center is primarily private financing by bank financing; at that time, Nation's Bank, now Bank of America, was the predominant lender and they provided almost \$3 million in loan funds. We did have the urban renewal program that sold us the land at a substantial discount and provided some dollars to enable small businesses who were not able to pay the top rent to have a five-year wrap-up in the rent, so that after five years, they were paying the full rent that everybody else was paying. So that, primarily, we had some grants from a foundation to help us do the design work for all of the project, and we had some grant money from the community development. But, 80 percent of the financing was private bank lending.

Chairman PITTS. Since 1994, when the retail center was completed, has there been much of a problem with crimes against the businesses that hold the rental space here in the Center?

Mr. MOORE. Well, as far as I know, we only had one incidence of a robbery and that was the second month that the Center was open. Since that time, there has not been a robbery, so we do not have a serious crime problem. We do have—and I guess it would tie in with my other comment—we talk about young people who have nothing much to do, who sometimes hang out in the Center. And if we did have some more jobs and opportunities for them to be constructively engaged, I think we can solve that problem. But, overall, the Center has had a dramatic effect on reducing crime and has not had a crime problem inherent to this location.

Chairman PITTS. Are there any special precautions taken to provide security for the Center?

Mr. MOORE. No, there is no special processes. Pretty much, a lot of the businesses are very community sensitive. We have a conven-

ience store that does not have a bullet-proof glass and that kind of activity in it. A number of the businesses know people. Big Wash, which is a neighborhood Laundromat, is owned by people who live in the neighborhood. Some of them may well be here in the meeting today. And being community-friendly, having employment opportunities, working with people in the neighborhood, they have not experienced any serious problems, although the lenders were very sensitive to that issue, that they may be making an investment in an area that would have problems, that has not been true.

Chairman PITTS. Mr. Mosley, your testimony referred to the fact that Thumbs Up has built a small business that employs 15 youth part-time. Could you please elaborate on the structure of this business? How have you been able to keep it operating?

Mr. MOSLEY. The District of Columbia had, during the financial crisis, a difficult time maintaining its curbside recycling program. And so the major enterprise—we have a couple—the major enterprise that took us over the \$45,000 mark was our recycling drop-off locations. But, I looked into the Congressional Record and know that you used to own a landscaping service, and you, as well as I, know that 14-, 16-, 18-year-old young people are amazing at working at landscaping companies. We contracted with the Latino Economic Development Corporation, a \$16,000 contract to develop and maintain the tree boxes on Columbia Road. We have done hundreds of tree boxes. We have landscaped dozens of front yards and back yards, and we also have flier distribution, snow removal, leaf removal, stuffing envelopes, and all those various enterprises, together, have generated over \$90,000 directly into youth wages. That is not accounting for the administrative—which is voluntary at this point—with office space at the Latino Economic Development Corporation and the local Advisory Neighborhood Commission, which is a locally-elected body. So we have a lot of community partners that allow us to generate that.

Chairman PITTS. Now, in your testimony you mentioned one important aspect of attaining economic prosperity is savings accumulation, and I would like to know, what is your experience with that? Why do you believe it is so important?

Mr. MOSLEY. Well, it is extremely difficult for anyone to save, including the people in this room, and, especially, teenagers. But the individual-development accounts, there have been some pilot programs around the country. I know in Indianapolis, they have a very generous 1-to-10 match.

So to reflect what the gentleman to my left said about creating wealth and creating a savings component to the development of young people, that if there were an individual-development account, where money would be matched, 1 to 3, or 1 to 5, and those funds and those savings could be used for educational purposes, home ownership, and small business and enterprise development. And I think that it would be with a 100 percent tax incentive for local businesses. Let us say Katiri Ellison, who is the Chair of our board, who is the Entrepreneur of the Year 1998, she does not necessarily employ anyone. But if she knows that she gets a 100 percent tax break for hiring a young person, that creates a job. It is an emotional investment for her, and not a financial investment for

her. If that young person could match 3 to 1, they will invest their savings. If they put in \$5 dollars, they know they get \$15 on the back end and that could be used for small business and enterprise development. There may be a point that Katiri would like to expand and the young person invests in the three new sewing machines. So in effect, they have become a partner and not just an employee. So it creates wealth; it creates investment; it supports small business; it supports the young people, and it increases cash flow in our inner-city neighborhoods.

The \$90,000 that Thumbs Up has been able to generate and place in the hands of young people has hit our streets. It has not gone out to the suburbs, like most of the wage creation that exists in Washington. We all know, the Metro system, 16th Street, 15th Street, many of the major transportation corridors in our city, have been built and do usher in people from the suburbs and usher them out at 5 o'clock, taking all of that wage creation, taking all of that tax revenue, which is another totally different issue. Money does not stay inside the economy and flip. We need to create taxpayers from within our city and not just market on bringing them into our city.

Chairman PRTS. My time is up. I will continue in the next round. I'll now turn the questioning over to the gentleman from South Carolina, Mr. DeMint.

Those of you standing, if you came in late, there are seats upstairs if you desire to sit.

Mr. DeMint.

Mr. DEMINT. Thank you all for being here. One of the things we would like to do is to replicate your success all over the country. One of the things I would like to find out today is, more specifically, what you think the Federal role is—being a catalyst or facilitator. Maybe if you would each just take a few minutes to—and some of you have already referenced this—discuss what role the Federal Government has played in what you have done so far; what role should it play, and what are your suggestions on how we could improve the role of the Federal Government? I know it is kind of a three-part question, but, Mr. Mosley, we will just start with you, and just a quick comment, not a book at this point, and I will come back and ask questions.

Mr. MOSLEY. The Federal Government has played no role so far in our success. The community and the market and the desired services have played the role. I believe that understanding that young people are the predominant cause of crime and violent crime, of what we call blue collar crime, not necessarily white collar crime, and the basic reason for that crime, is economic access or access to an income. That basic, fundamental, number one cause of violence can be addressed in a substantial way in a critical-mass form, and not in a Band-Aid approach. That would help violence and crime in the inner city, and economic progress of the inner city, and investment in the inner city, and the health of the economies of the inner city. So creating those habits, by creating a youth-investment tax credit, which helps everybody, as we have gone through before, and a 100 percent, making it simple—not an 80 percent; not percentages, but a straight-up Xeroxed W-2 form and

attach it to your tax application and tax filings, that would help tremendously.

Mr. DEMINT. Okay, good. Mr. Watkins.

Mr. WATKINS. Thank you, Congressman DeMint. Some of the things I can see the government playing a role is, basically, from the start, increasing your comfort zone in relationship to the way you perceive the youth and the things that create violence. This is a good start right here.

Mr. DEMINT. Excuse me for interrupting, but did the Federal Government have any role in what you did here?

Mr. WATKINS. No, not really. Through the resident council, they get funding from HUD, and we have implemented some programs through that funding, which I have worked very closely with the resident council to develop programs. Some of the things that I can see creating business development for the youth would be an advantageous thing for the communities.

Mr. DEMINT. Okay, good, thank you. Mr. Hopkins.

Mr. HOPKINS. Thank you, Mr. Congressman. Similarly, with respect to my experience with the shopping center, the Good Hope Marketplace, HUD's 108 Loan Program was extremely beneficial to us. As opposed to the Nehemiah Shopping Center, our experience is that we received absolutely no private financing. A project that had total funding for acquisition of \$13.2 million and pre-development soft costs ran about \$1,450,000, had no private financing. For example, \$11.5 million was a HUD 108 loan, \$1 million was a HUD EDI grant, and \$600,000 represented a grant from the Office of Community Services of the Health and Human Services Department. So certainly, continuing that program is very instrumental to communities and what communities can do in leveraging their resources, leveraging their future community block grant funds as collateral guaranteed for the HUD 108 loan.

In addition, obviously the CDBG Program that comes through HUD should continue to be funded by the Federal Government. It is very important to what we do in communities; it has a direct benefit, or it certainly is a direct cause of our ability to move forward and revitalize our communities. We have a bank across the street that is a CDFI financial institution, very successful for this community. How long has it been in existence, Bob?

Mr. MOORE. About 6 months.

Mr. HOPKINS. About 6 months, but it is doing good and we all want to take part in it and access its benefits. The HUD Empowerment Zone and Enterprise communities, that legislation should be continued. It is a wonderful tool to have in underserved communities when you are retail shop businesses, because of the various tax incentives as a result of being in an enterprise community.

Mr. DEMINT. Thank you. Mr. Moore.

Mr. MOORE. Thank you. The Federal Government was very instrumental in the development of our community in a number of ways. For one, much of the land that we have built on was purchased with Federal money and urban renewal program and sold to us at a discount, enabled us to build. We were able to get down payment assistance, using home funds and community development block grant funds, so that persons who were near to being

able to purchase a house had the down payment necessary to complete the transactions.

We also were able to, as Mr. Hopkins talked about, have a community development financial institution. We only have one bank in the neighborhood for 29,000 people. Our community development financial institution is the second bank, and dedicated to making community development-type loans and accounts for us. So, it has been very instrumental in providing that kind of blue dollars that are needed for non-profits to make the kind of advances it needs to attract private capital. We know, for sure, that our objective is to attract private investors back to our neighborhoods. So we have to take the risks and the Federal Government needs to assist in providing the dollars to take that risk to show developers that a shopping center in an urban neighborhood makes good sense. And now let's do something larger than that a little ways.

Three things that I would like to see: One is, as Todd Mosley talked about, the issue of crime and small business development can be united if we help small businesses to grow and hire folks who live in the neighborhoods—certainly young people.

Using that same philosophy that Mr. Mosley did, we could give incentives for businesses to hire young people for those areas that are green. Not only do you give them a tax credit, more young people are able to get jobs and that is the real key to reducing violence and crime.

Secondly, finding a way to look for capacity building. We would not be able to do what we do, I know the three CDC's for sure that are here, unless we received community development block grant funds to help us with our organizational expenses. That investment in the District and the community development corporations—which there are eight—has resulted in over \$200 million worth of investments being brought to neighborhoods across the city. There have been five shopping areas built in the District in the last eight years. Four have been done by non-profit organizations. So we used those dollars that are invested through the community development block grant program to build the capacity to move from doing a house, to doing shopping centers, to doing business improvement districts, to really be able to go to scale on some projects. So capacity building.

The third would be some new initiatives. We have behind you, as we build the shopping center—some two years later, the building behind the shopping center burned down. It is kind of like taking two steps up and one step back. But we have to maintain our effort. We cannot just look at the shopping center and say, "We have done a good job." We have to keep going up that block and doing all the vacant housing. As I have said to the Chairman, our real objective in Columbia Heights is home ownership. The riots and the Federal programs left us with only 20 percent homeowners and 80 percent renters, and if we are going to have real long-term stakeholders, we have got to all that we can to create as much home ownership as we can.

Mr. DEMINT. Could we make HUD easier to do business with?

Mr. MOORE. Absolutely. [Laughter.]

Mr. DEMINT. Just a couple of examples, maybe?

Mr. MOORE. Well, an example would be behind this building there is a project called Clifton Terrace, which is a HUD section 8 project. It became a real problem to the crime and violence and bad for the conditions of the residents. HUD came in—Secretary Cisneros came in—and seized that property from the owner, who had taken the security away and left the residents to their own. Well, Cisneros has been gone for four years. It has taken HUD four years to now dispose of that building to a property development. They just did last week, but it took four years, and it should not take that long for 287 units of really valuable housing, a key to our neighborhood, to be disposed so that we could redevelop it as something—an important asset for the community. So reducing the bureaucracy, providing dollars, as Mr. Hopkins talked about, for loan funds for neighborhood non-profits, to invest in the neighborhood are all important.

Mr. DEMINT. Thank you. Ms. Rosales.

Ms. ROSALES. Yes. I certainly concur with all of my colleagues. So much has been said. The only thing that I might add is to reiterate—we do receive funding as a private non-profit organization from the District government, which is funds that come the Department of Housing and Urban Development in order to assist us with our work in the community.

We have done, I believe, a very good job of leveraging those funds in order to create the systems that I have referred to earlier. The District government, in particular, has referred to us as one of the CDC's that does get so much bang out of the buck, so to speak, because we are able to go out to the community and find pro bono work, find volunteers, develop leadership that are not paid, as Todd pointed out. And that creates the foundation and the stability in the community that will stay, and hopefully, the funding can help to support that.

Something that I would also reiterate is that our organization does quite a lot on very limited funds and we would appreciate continued support or administrative support for some of the work that we do; although we do it with genuine care, I think giving value for that work would be very appropriate.

Also, in particular, regarding our neighborhood improvement district, I mentioned earlier that our merchants on the street have put out \$40,000 of out-of-pocket money to improve the streets of 18th Street, Columbia Road, and Mount Pleasant Street over the last year and a half, partly because there was a feeling there was deficiency among the services that are provided within District that should be considered basic services, so they are having to pony up and make sure that is being done. Some assistance or sensitivity to making sure that services are done on a timely basis and are done in the rightful manner, so that the merchants are not having to invest more than their fair share than maybe some other communities or other communities nationwide.

Also, the process which we go through to access Federal funds and District funds, we would appreciate perhaps looking at that: How we can streamline? Now we build these momentums within the community and get merchants and residents excited about development and improvement, and then are at a standstill in many instances because there is quite a lot of red tape and perhaps con-

fusion about what the process really is, when it is represented one way and then another way later on. So, we would hope that there would be an opportunity over the near future to evaluate some of the systems in order to help streamline and create this great partnership that exists on many levels. I think we all can look at them, look more closely, and focus, so that we find a real stride in community development over the next few years.

Mr. DEMINT. Thank you.

Chairman PITTS. Many of your suggestions and proposals mirror those contained in a bill called the American Community Renewal Act (ACRA). Are any of you familiar with that legislation? I will leave copies of the bill for you. The sponsors of ACRA, like you, believe that cutting taxes, giving tax credits, reducing burdensome regulations, increasing home ownership, and encouraging savings, will stimulate renewal in many of our communities. And this legislation provides for 100 renewal communities in the Nation. It provides for a capital gains tax relief rate of zero for businesses located in the renewal qualified zone. It provides for increased expensing, raising the maximum liable expenses for purchasing of plant and equipment in these communities. It also provides wage credits in the qualified zones and brownsfield relief. We will give you all an analysis of the bill, for your perusal.

It looks like this legislation is going to move soon—wouldn't you say, Jim, probably before the break? This bill could be very helpful to you.

I want to go back to another round of questioning. First, for Mr. Watkins. I would like to know a bit more about the micro-enterprises that the East Capitol Center for Change has worked with. What roles did the youth play in these businesses? Does the practical business experience make them more confident in turning around? Are they interested in small businesses of their own? Could you comment on that?

Mr. WATKINS. Thank you, Mr. Chairman. Some of the businesses that we have within that community, we employ approximately 12 youth and they are considered community youth leaders. Within this program, these particular youths' responsibilities are to survey their community, make written reports on how to improve their community. They are also to set up a small tee shirt business in which they have learned leadership skills, being accountable, and we have tied this into a Junior Achievement Program also with these youths we teach them entrepreneurship skills. We also have a catering business that the resident council has started, and they are tapping into some of the community development organizations to provide catering for their particular meetings and events. So it is a partnership within the total community and this has been successful for capacity building, in which they have learned new skills of financial management, ability to project on, if you have "X" number of people, what do you need? And some of these things are very basic skills but they are necessary in reference to business development.

Chairman PITTS. What is the most noticeable difference in your community? You have been in operation for three years? Have you noticed differences in the community in this short time?

Mr. WATKINS. Yes, current involvement and awareness that individuals have a capability to create their own desires, but they have to actually want to be nurtured in order to develop those desires. But we are seeing parents getting involved with our programs that normally have said they would never be a part of this program. And the roles the parents have played, they have supported the kids in conflict resolution. And we've brought the two together to resolve issues.

Chairman PITTS. And you mentioned the need for easier registration of the compliance process for entrepreneurs?

Mr. WATKINS. Yes.

Chairman PITTS. Can you elaborate on that? Is that a burden that deters some of our young entrepreneurs?

Mr. WATKINS. Yes. I pray a lot, to be honest with you. [Laughter.]

When we designed this program for the youth to develop the tee shirt business, I went to the District government and tried to get all the paperwork done, and it was a fiasco of red tape that I had to go through. But, like I said, I pray a lot. And the Junior Achievement Program allowed me to bypass a lot of that government regulations and tap into their system in reference to bylaws and structure and insurance requirements. As Mr. Hopkins has said, that is sometimes difficult for a community to establish, especially when you are dealing with youth. So, the Junior Achievement Program had been a facilitator of establishing the foundation for our business.

Chairman PITTS. Thank you. Mr. Hopkins, you mentioned the 46 percent reduction in crime rate in your area. Is this attributable to the Good Hope Marketplace?

Mr. HOPKINS. Directly attributable, Mr. Chairman. One of the things that we have established in the shopping center is a police substation that we provide them space at no cost. The interesting thing about that is that the police officers who man that particular precinct are volunteers. They go through the same training that regular police officers do, but they are not fully employed police officers; they are volunteers. What they do is basically patrol the area, patrol the shopping center; they supplement the security firm that we have. And not only do they look at the shopping center, they circle the surrounding areas. And so, it is very enlightening to us and very pleasing to us to learn that crime has decreased in the immediate community by 46 percent.

Chairman PITTS. Now that Good Hope Marketplace has been built, do you find more commercial entities beginning to view Anacostia as a viable place to locate a business?

Mr. HOPKINS. Absolutely. We are getting inquiries from major retail national franchise operations. For example, we have a Radio Shack at the Good Hope Marketplace, which is the first sort of high-tech store to open in the Anacostia/Far Southeast area, in my memory which goes quite a ways back. [Laughter.]

Also, we are now having Hollywood Video—we are negotiating with them. Mr. Calvin Johnson is representing Timberland; so they are certainly interested in coming in to open a store there. So, we are also involved in looking at the lower part of Anacostia, in the Historic District. With respect to that particular area, we are plan-

ning on developing some new retail as well as office development. One way to bring back a neighborhood is to increase the daytime base employment. So if you bring more people into the community with disposable income, then obviously retail will come out there to meet that demand. And so it is sort of a strategy that has worked for us and we want to continue it, and we are getting interests from such retail as CVS, Starbucks and others. So, to us, that is the real formula for beginning to turn around a neighborhood. And as I mentioned before, the city can certainly cooperate by keeping the communities clean and adequately policed and providing all the various safety services, et cetera.

Chairman PITTS. You answered my next question. Ms. Rosales, could you describe the change of the attitudes of community residents since economic renewal that you testified about has taken hold?

Ms. ROSALES. Oh, yes. It has been about two years since we began our efforts—actually two years ago this month. And it was upon my arrival as the Director of Business Development, we assessed the community, it seemed that there was non interest or the thought that to participate did not necessarily mean results. So we had to get down to the grassroots level, knock door-to-door and survey residents, survey merchants, conduct focus groups, conduct visioning sessions. It was a very intensive process. But the merchants, in particular, took the process, because they understood that we were not necessarily coming in to take control, but we were inquiring and wanting to give them the elements so that they, themselves, could take control.

The process has been very successful. We have developed two large merchant associations in both communities. There are several community work groups and leadership cell groups that have grown from those two efforts as well. So we have many sub-groups that exist that take merchants, for example, at their comfort level. For example, the Korean work group might come together as a Korean group; Latinos as one and perhaps Columbia Road as another, and restaurants as another group. We kind of stratify those, categorize them in different stratus, and then bring them together as a larger group so that we give them an element of comfort, so they can express themselves, but then have a voice—a representative at the larger group. Eventually, over the last year and a half, in particular, we have seen a lot of those different groups begin to merge, begin to contact each other without our intervention, begin to make plans, take on small projects and that is the movement that we needed in that community because, as I mentioned, our resources are very limited. We have a limited staff ourselves, and so we rely on non-traditional cooperations with the District government, with the neighborhood organizations such as Thumbs Up and youth groups.

We have churches involved. We try to tap every group possible. We have a multi-cultural committee, as I have mentioned. Staff speaks Vietnamese, Korean, Spanish and English, at the minimum, and other languages, because we are interested in giving the community a voice and helping them find their own voice. And then, you know, we are able to take on the larger projects, such as facade improvements, commercial development. We receive 2,000 clients a

year in entrepreneurship alone. We have a \$300,000 micro-loan fund; peer group lending had developed 60 businesses from the very start-up in a year's time; technical assistance for business and housing. So we have many other efforts that we need to concentrate on.

But your particular interest regarding commercial corridors and its effect on crime and violence, that effort we thought we should give the spotlight because it has been something that has given the community back to the merchants and residents and has found a community building effort really taking hold.

Chairman PITTS. Thank you. My time is up and I will yield to the gentleman from South Carolina.

Mr. DEMINT. I have been a small businessman for years and have worked with a lot of companies who were small businesses. And one of the deterrents to hiring young people was really all of the regulations related to hiring. Not just the withholding; if they got hurt while they were doing something for you, you were liable. You cannot just write them a check if they worked for you for a couple of—all of this reporting—and the thought just came to me: Would any of you support waiving of a lot of the employment practices within these enterprise zones to give employers some flexibility in what they pay and some relief from liability? Maybe even replacing the withholding for these investment accounts that you talked about? I would just be interested because right now, if you are following the rules, I do not know how you deal with 20 teenagers. [Laughter.]

Maybe that's the question: Are you following the rules? [Laughter.]

Mr. MOSLEY. It is quite difficult to. Thumbs Up had a high of young people working of 36. Now just coming out of a non-snowy winter, we are at about 15, and landscaping is kind of picking up. You talked about flexibility and what they pay. There is definitely a living-wage level in the District of Columbia. And a lot of the time, because of the lack and the inability of some parents to pay an allowance—a weekly or monthly allowance—is that it is above minimum wage. I think that \$5.25 is the minimum wage now in the District of Columbia? There are not many young people that can actually work for \$5.25 an hour. It is difficult to let that be a minimum wage in the District of Columbia. I think that if there was flexibility in that wage. It could not go down, there is no way. But, if there was flexibility in reporting about a 100 percent tax break. On Columbia Road and on 18th Street and in these shopping centers, it sometimes is difficult to pay someone \$7 an hour, a young person \$7 an hour to bus tables or to work in a Laundromat. I think that if we assisted those small businesses and those restaurants by employing a young person from their own community, it pays for itself in many ways. But flexibility in wages, I don't think can go below minimum wage.

But on the liability insurance, as long as there is in the District of Columbia a child welfare—the legislation, I believe it passed this year, with the mayor's proposal about a broad-based children's health coverage—there would be an environment that we could get on that, then, to reduce those liability purposes, possibly. But I do not want children working and not having healthcare either.

Mr. DEMINT. Yes?

Mr. MOORE. I think that this is an important opportunity if we can waive some regulations, because some of those regulations are not productive, and requiring small businesses to keep all the tax information on 14-year-olds is nonsensical. We find a great desire among young people to work. And what I think we can do in the issue that you have raised is a cycle to be able to deal with the tax question, so that there is less burden on the business owner who wants to employ somebody, in particular, from these zones, in waiving some of those regulations and requirements, not workplace safety, but those requirements that are barriers to producing young people, or producing anyone who needs to have a job is an important piece.

We are a working neighborhood in the main. We have a bunch of people who work here. They do not make a lot of money. They work in a service industry. That industry pays \$6.25 an hour. It paid \$6.25 an hour last year and it will pay \$6.25 next year. If you don't like the wage, you have got to find another job. So, they are really kind of trapped. We have got to find ways in which people can move up.

On the youth issue, we have a youth entrepreneurship program that we run each summer. We recruit young people to learn business. My staff is here now who run that program. I think my reaction to the program was that this is the Gates generation, because when I ask them, "How much money do you want to make?", they said, "Gates." So they have been listening to Gates too much. [Laughter.]

There is a great demand for young people who want jobs. We were able to not only train the young people in the summer, but also to place in on-the-job situations during the winter months, and to give them a small stipend monthly to work in a private business, to absorb that business culture as part of your being, and that was very effective for us. So I think that removing the barriers, finding a way we can get some protections for young people, but not create barriers to being employed is an important part of the work.

Mr. DEMINT. Mr. Chairman, I would like to follow up some more, but I am out of time.

Chairman PITTS. Why don't you finish up and then we will move on.

Mr. DEMINT. Okay. Mr. Watkins.

Mr. WATKINS. Thank you, Congressman. Rules, yes, they are a problem. We have actually paid our youth \$6.25 an hour, through a stipend process which has allowed us to not penalize their parents who might be on public assistance or whatever it might be. This has worked for us. This program that I am talking about, we have actually employed some of the parents as school monitors to deal with some crisis situations within their own community school, and we are paying them a stipend also. So we bent the rules a little in order to get the job done.

Mr. DEMINT. I have had a situation where someone wanted to do some work in my house, but they said I could not report it or their husband would lose their disability. I know that a lot of times in business, it would be nice to just ask a teen, say, "I will give you \$30 if you move these boxes for me." But you cannot just give

them \$30; you have got to get into all this reporting and stuff. Again, I just wondered if you would support some loosening up, because you may have some kids that want to make some extra money and that employer says, "Well, I am not going to pay them \$6.00 an hour, but if they want to do this for \$20 and get finished with it"—but then that does not meet minimum wage requirements and all of that. I was just wondering how you felt about it.

Mr. WATKINS. Absolutely. I think that could be wonderful to give youth that opportunity and some of our older residents that opportunity in my particular community. The other thing, in expanding this a little further, is life skill training. A lot of our youth and adults, they cannot sustain a job because of the perception of who they are. I think that, as a component, programs such as Todd's program, and other programs within our community, need to develop life skill training in order for people to sustain a job for a period of time. Because it is one thing to give a person a job, but that does not mean that they are going to maintain it.

Mr. MOSLEY. Yes, I would support easing those types of regulations tremendously. Sometimes it is easier for a young person to move a bunch of boxes for \$20 instead of taking out the taxes and doing it at \$6 an hour. One of the life skills and the professional skills that we learned is that the young people are there to negotiate. When we do someone's yard, we do not charge by the hour. We negotiate the job, and it ends up being about \$10 an hour. When you say, "We will do your yard for \$200," and you go buy two shrubs and the rest is labor and the other expenses, and it works out better when young people learn the negotiation skills of what value does that have to you, instead of, "How much will you pay me by the hour?" What is your front yard and your back yard landscaped worth to you? And yet, busy professionals, they are spending money all over the place, and you can charge more to the professional than to some savvy, lower-middle income school teacher. [Laughter.]

And so you know which clients that you can do that, and young people need to learn those skills. And when they learn those skills, the customer respects them more.

Mr. DEMINT. I yield back to you, Mr. Chairman.

Chairman PITTS. Thank you. Mr. Moore, you placed a great deal of emphasis on home ownership. Do you think that the pride of home ownership creates a thriving community that is receptive to new community businesses, and attractive to entrepreneurs? Can you explain the synergy that you think is occurring here?

Mr. MOORE. I think that it is important. We think for a neighborhood that had only 20 percent homeowners—the last census said 27 percent, so it has moved up about 7 percent in 10 years; that is a significant jump. I think that, next, with the incentives that Congress has provided to the District, I think we will see a significant jump in rate of home ownership. It doesn't end with this project. We not only have a small shopping center, but we also have a population to support the shopping center. So, it is mutually supportive—the shopping center providing services to the residents; the residents providing income to the businesses in the shopping center. So, both go together. Home ownership is just so critical.

Just this morning, a lady came in to see me and she just had a day off and we were going to do some housing, some vacant housing, in the neighborhood we are going to renovate for home ownership. And she came to see me about her mortgage. And I said, "Well, do you have your down payment?" She said, "I have got \$4,000 in the bank." She had saved up her money; she is taking a class in home ownership; she is looking at interest rates. She is on the Net checking rates all over the country. It just changes the perception and allows people to really let down their roots in the neighborhoods where they—the average price of a house in Columbia Heights is over \$175,000, except for the housing that is being done by non-profits and community organizations which is affordable housing. And so we are able to help people who lived here and worked here all of their life as a renter to stay here as a homeowner. And there are numbers of groups in the District who are contributing to that throughout Columbia Heights.

Chairman PITTS. I noticed, when we were doing our walk-around, I did not see any graffiti. How do you keep buildings free of graffiti? It scares some people. [Laughter.]

Mr. MOORE. A little bit scares some people. I think it is really the pride of the community—the young people. We have a little bit, but not a serious problem. But I think it is the pride that is something that happens. People value those things that mean something to them, so they don't do it. I am not saying that we don't have graffiti artists; I am sure they are here. But we don't have major problems with it. If they do, they do it to the back of their buildings rather than the front, so we do have some on the back of the buildings, but not much, and I think it is a value issue.

Chairman PITTS. Mr. Mosley, you mentioned the benefits of proposed tax credits and an increase in the number of apprenticeships. Do you think that apprenticeships are a good way to stimulate entrepreneurship?

Mr. MOSLEY. Because it is the whole "each one teach one" type of concept. If a young person is working with a contractor of many different types or a one-or two-person enterprise, or a tailor, or a shopkeeper, or a new record store that is being developed, then that young person gets to learn the dynamics of small business. If you buy too many bolts of fabric, you will go down the tube, just like my grandfather did in a department store in Mississippi. And that environment and knowing how inventory works and how to operate a cash register, and having the skill of not taking cash out of a cash register when you are working it, because it is easy to figure who did it during what shift. Those basic skills—you know you have a young person that has never worked a cash register before and they have, like, a tray of \$250. Sometimes it can be lunchtime. And learning those basic skills of how our economy works is tremendous. The phone bill comes in; the electricity bill comes in; the rent comes in, and all those. So it has many residual benefits, like the life skills he was talking about—the small business. The immediate income and wage creation for that young person. It ricochets throughout our neighborhood.

Chairman PITTS. Mr. Watkins, as the founder of your group, you mentioned that one of your goals was preparation for entrepreneur-

ship. At what age do you think this preparation and education is most effective?

Mr. WATKINS. My personal vision is that it starts when you are in the first grade; I mean as early as possible. Because we have taught our kids to get a good education, go to college and then get a good job. We need to change that philosophy and turn it around and teach them business skills at a very early age in order for them to understand the principles of how to be successful. A lot of our programs—we have to start from the bottom level in order to teach kids the basic skills. And a lot of it is dealing with attitudes, to be honest with you—dealing with attitudes.

Chairman PITTS. Mr. DeMint.

Mr. DEMINT. Just a quick question here, Mr. Watkins. I know that you are doing this because you feel like you have been called; that this is a ministry to you, at least I assume from what I have read. And I am wondering what do you believe about the Federal Government working with faith-based organizations or folks like you, if you take some program or money from the Federal Government and they require you not to have anything faith-based. What would be your advice to us about organizations? And there are a lot of them across the country that are successful. But there are some folks, as you know, that argue, well, the Federal Government should not be involved with anything that is religious.

Mr. WATKINS. I don't view my organization as a religious organization. I view my organization as a spiritual-based organization, and within that, I feel that if the Federal Government frowns upon those types of organizations, I would have to go elsewhere. I have dealt with the situation as far as funding for the last two years, and I have received no funding, but we have gotten things done through the resident council, funding through HUD that the resident council obtained, but we are able to do programs that are of substance without funding. So it takes the commitment more so than the funding. But as far as the Federal Government is concerned, I would just have to deal with that situation and move on, and pray a lot.

Chairman PITTS. Mr. Hopkins, how important are mentors, like Calvin Johnson, to the young people in your community? What role do they play?

Mr. HOPKINS. They are extremely important. It certainly is an example to the young people to see someone from their own community succeed. Mr. Johnson is a unique success because he is one of the principal members of Athlete's Foot. He goes up and down the East Coast locating franchise sites for the Athlete's Foot operation, and he has done that in just like a period of, since I guess 1996. So in a very short time frame, he has advanced significantly as a franchise operator with Athlete's Foot.

The ability to have merchants who take an active interest in young people in the community, whether it would be to sponsor a softball league or a baseball league, what have you, or a midnight basketball program, it is very important. Again, when people in the community see that other folks in the community are continuing to be successful and care about them, and when they see that the city cares, because the city is going to provide the type of services that

serves the kids, then people began to take a very serious interest in their surroundings.

And I might add, one other Federal program that Bob may remember that we would like to see the Federal Government continue, and that is the \$5,000 tax credit for first-time homebuyers in the District. As you know, we have experienced sort of an out-migration of middle-income residents. This particular program has been extremely beneficial in bringing people back into the city. They need not be first-time homebuyers; they could have owned a home elsewhere, but they must be first-time homebuyers coming into the city, and that is one way to attract people back into the city. It is a very beneficial program.

Chairman PITTS. One of the programs I had in my district uses mentoring, and pairs CEO's or business owners with a small start-up business, and micro enterprises. Mentors can transmit a lot of practical experience very quickly with that mentoring relationship. And I see some heads nodding, so evidently, you use a similar model.

Mr. HOPKINS. We use the Small Business Administration's SCORE program—the Service Corps of Retired Executives.

Chairman PITTS. Right.

Mr. MOORE. Mr. Chairman, the District of Columbia has a community/business partnership program where they mentor neighborhood businesses. We have been in this program three years. One of the businesses across the street, Chat and Chew, which was a restaurant, was mentored by the President of the National Restaurant Association, who decided it was more economically feasible for her to be a caterer than be a restaurant. So, even though it is closed, it is not really closed as she is doing much better as a catering business than she did serving across the counter. So we do have—the third year of that program—it is only in several neighborhoods where they do mentor, but it has been a great benefit to the businesses to be able to export their products or services to the region and not just to the neighborhood.

Chairman PITTS. We have heard a lot of excellent testimony here, some wonderful stories. We are going to make this excellent hearing record available to our Committee. We thank you for sharing your practical experience and insights. We look forward to working with you.

Before we close this up, I want to make sure that if you have anything else to put on the record, you get that opportunity. So, if you have other statements that you would like to include, you are welcome to submit them at this time.

Mr. MOORE. I would like to thank the staff for helping to coordinate this important opportunity for us. They have been working hard to get here, and thank you and Mr. DeMint for visiting Columbia Heights. We think we have a really great neighborhood in the District of Columbia, not withstanding Anacostia and East Capitol. We all work together, and I think that one of the things that is unique in the District of Columbia is that folks work together. Faith-based and non-faith-based groups—we all are collaborators; we all teach each other; we all learn from each other. And that has been an important benefit to all of us.

We thank you for coming and hope you come back and visit with us some more.

Chairman PITTS. The record will be held open for five legislative days. So if any of you would like to add to your testimony, amend your testimony, you may do so within five legislative days.

Yes?

Mr. MOSLEY. I just want to give a compliment to the organization of Junior Achievement that he just mentioned. When I was in junior high school, I went through a Junior Achievement course, and I have relied on that experience often for the reasons I do what I do now. So, these young men that are going through his Junior Achievement and that access, when they get to be 35 years old and they are doing that in their neighborhood, we are looking at truly breaking the cycle of poverty, and we are looking at creating this habit of enterprise development and savings and investment.

So I just wanted to give a compliment to the Junior Achievement program. Thank you.

Chairman PITTS. Thank you. The Chair would like to thank all of the witnesses, for their testimony, and the Nehemiah Community for their hospitality.

We will make this information on the record available to you.

The hearing is adjourned.

[Whereupon, at 12:04 p.m., the Subcommittee was adjourned.]

EMPOWERMENT SUBCOMMITTEE
*Hearing on "SMALL BUSINESS BIG GAINS:
How Economic Renewal Creates Safer Neighborhoods "*
March 23, 1999

CHAIRMAN JOSEPH PITTS – STATEMENT

Ladies and gentlemen, thank you for joining the Subcommittee on Empowerment today to discuss the important issue of economic renewal and the effect it has on our nation's communities. The site of today's hearing is a perfect example of the type of renewal that we wish to address. The Nehemiah Project has sprung up from four vacant lots due to the hard work and determination of the concerned citizens of this community and I would like to take this opportunity to thank the members of the Nehemiah Community Cooperative for hosting this hearing.

Today, the Subcommittee will explore the relationship between the revitalization of abandoned commercial strips and the increased sense of safety and higher quality of living in the surrounding community. Additionally, the Subcommittee will discuss the increased operating costs that small business owners face in areas with high crime rates.

The issues of crime and safety are often on people's minds as they go through their day. This is especially true in neighborhoods where job opportunities are

sparse and unemployment is high. Dilapidated and unused commercial strips contribute to the general sense of malaise and fear that one feels after walking by abandoned lot after abandoned lot. What is truly unfortunate in these situations is that business owners begin to believe that they can not achieve economic certainty in these areas because of the state of disrepair. As members of our panel will tell us, this line of reasoning is counterproductive. Many areas in our nation, especially in our inner cities, have quite unique business advantages. They are usually strategically located near public transportation and highway hubs; they usually have a high population density which translates into substantial purchasing power; and they usually have a vast, yet untapped, labor pool.

Once businesses decide to take root in under-utilized commercial space a sense of renewal takes hold of a community. As businesses are encouraged to move into a community, street cleaning initiatives and neighborhood watch programs tend to follow. During this cycle of renewal of hope and a strengthening of the economic base, crime will start to decrease. The purpose of today's hearing is to learn how communities have been able to get this cycle started.

While economic renewal can raise the spirit and sense of safety in a neighborhood, a high crime rate can have the opposite effect on the business prospects of an area. Pervasive crime will often raise the costs of doing business in

a neighborhood because of higher insurance rates and the costs of hiring extra security. Additionally, when a crime is committed against a business, it tends to weigh heavily on the mind of a business owner and may change his willingness to remain in an area. Even the perception of crime tends to cause potential customers to take their purchasing power elsewhere. This perpetuates a vicious cycle where businesses do not locate in a community because of the perception of a high crime rate and residents of these areas are forced to spend their dollars in other communities.

Today we will hear from real-life experts, not government employees or high-priced consultants, who will talk about the work that they have been doing to foster economic renewal in their communities: Todd Mosley, the Executive Director of Thumbs Up will discuss his work with the youth mentoring program; Curtis Watkins, the founder and director of the East Capitol Center for Change will speak about the work he has done with at-risk youth in the East Capitol Dwellings; Albert Hopkins, Jr., the President of the Anacostia Economic Development Corporation will discuss his corporation's work renewing its community; Selina Trevino, the Executive Director of the Latino Economic Development Corporation, will testify about the changes that have been made in this community by the Nehemiah Project; and Robert Moore, the President of the Development Corporation of Columbia

Heights will discuss how the Nehemiah Project was able to rise up from the ashes of the civil disturbances that occurred in 1968.

I look forward to the enlightening testimony of our panel and would now like to turn to the distinguished ranking member, Ms. Millender-McDonald for any opening statement that she would like to make.

Testimony of Robert L. Moore
President & CEO
Development Corporation of Columbia Heights
U.S. House of Representatives Committee on Small Business
Subcommittee on Empowerment
May 11, 1999

It is indeed my pleasure Mr. Chairman to present testimony before the Subcommittee on Empowerment, House Committee on Small Business in the middle of the Nehemiah Homeownership Housing and Retail Development. The Nehemiah project closely corresponds with the Subcommittee's interest in the economic renewal of neighborhoods, the relationship between abandoned commercial strips and achieving a higher quality of life in the surrounding community.

The 14th Street area (where we sit) was once a major commercial corridor extending for over 12 blocks. The corridor held some 308 nonresidential establishments including two movie houses, 66 general merchandise, and apparel and furniture stores, along with 27 restaurants and entertainment venues. The commercial corridor and our excellent housing stock were the attractions to the neighborhood. The vibrant commercial corridor began to experience difficulties in the early 1960's as economically mobile households moved to the growing suburbs beyond Silver Spring, Maryland and into nearby Virginia as farmland was developed for detached tract homes. Businesses began to follow income to the suburbs leaving a weaker and unfitting commercial area relative to resident needs. It should be noted that federal policies contributed to the decline of the 14th Street and other commercial corridors that served inner city neighborhoods. Federal Housing Administration (FHA) Insurance made readily available to support development in the suburbs resulted in redlining in Columbia Heights. Transportation policies focused funding for the beltway and other highway projects all designed to bring suburban commuters into and out of the city.

The 14th Street commercial corridor became a focus of the civil disorders on April 4, 1968 following the assassination of Dr. Martin Luther King, Jr. Some 61% of the commercial property (275 buildings) were damaged, nearly half a total loss according to the National Capital Planning Commission Report "**Civil Disturbances in Washington, D.C., A Preliminary Damage Report**". Depopulation quickly followed the disorders and the federal government purchased and cleared 62 acres of land for redevelopment. The thought seemed to be, "if we clear it they will come". They did not come. Without a commercial center the neighborhood stagnated with no new investment. Crime and street drug sales became all too common to the corridor, and all other social indicators decreased dramatically.

The governments' response was building over 3,400 units of assisted rental housing. While the housing for lower income households was needed, the intervention was one-dimensional. There were no programs for homeownership or efforts to replace retail development lost during the disorders. The impact of the neighborhood Urban Renewal Program was to decrease the homeownership rate in Columbia Heights to 20% of the housing units. In effect, Columbia Heights became a temporary stop over when the real need for building community was more stakeholders.

It took almost 30 years for the first new homeownership housing and a retail center to be developed. Through the aggressive work of nine non-profit organizations and the investment by nine private lenders, an insurance company, several philanthropic entities and the District of Columbia Department of Housing and community Development a new front door to the neighborhood was developed. We now have some of the basic commercial services needed to attract new homeowners to infill vacant houses and to become real stakeholders in a better future for the neighborhood. The issues of crime and violence remain concerns. We have made some small inroads to reducing crime but much more remains to be done. Some 31 years after the disorders, we need more help than ever. That assistance must be targeted to increasing small business development and simultaneously creating jobs. These are the keys to reducing crime and violence.

Testimony of Todd Mosley, Nehemiah Cooperative Shopping Center
Thumbs UP, Youth Enterprises, founder
Tuesday, May 11, 1999
House of Representatives, Committee on Small Business

I work with some amazing young people here in Washington. My youth group, *Thumbs UP, Youth Enterprises*, provides an economic alternative to the drug trade. The youth and I have built a strong small business that currently employs about 15 youth part time. Thumbs UP has generated more than \$90,000 in youth wages in four years. I have seen the dependence on the drug trade decrease in visible and substantial ways due to the efforts of the local police department, engaged neighbors and parents, and the economic impact of the \$90,000 Thumbs UP has placed into the hands of local youth in the form of wages.

Some say money is the root of all evil. In my neighborhood in Washington, DC, the lack of money is the root of evil.

All across our society, we judge people on their ability to purchase. Our culture values the ability to purchase over most other skills. When you can purchase, the world is a wonderful place. When you can not purchase, the world can be full of disappointments. Now imagine this through the eyes of a child.

Remember how powerful the money you made from your first part-time job felt in your pocket. And some of us truly depended on a \$10- or \$20-a-week allowance from our parents. That ability to purchase empowered us far beyond the cash itself. You could see it in our eyes. The pride of earning "your" money. The dependability of a parent giving you that \$20 bill every week without fail.

The instinctual desire and economic necessity of kids wanting to work is as true today, if not more, than it was when most of us were bussing tables, mowing yards, or working in the local shopping mall. Often inner-city youth are living in a local economy that can not support large numbers of part-time jobs and are raised by single mothers who can barely make ends meet. A weekly allowance of \$20 or \$40 quickly becomes economically stressful and pretty much impossible if she has more than one child.

For many DC youth, the reality is you can make money either one of two ways. You can work at McDonalds or you can sell drugs. There is very little in between.

Profound change will take time. Bad habits must be broken. Jobs must be created. Wages must be earned. And savings must be accumulated.

What I am proposing is intended to interrupt the cycle of poverty that is so dominant in many inner-city neighborhoods. In our local economy, I see critical mass change as the only honorable and genuine goal.

Beginning with about 1,000 DC young people between the ages of 14 and 21 -- and at less than a \$3,000,000 cost per year to the Federal Government -- provide a **100% Youth Investment Tax Credit** for hiring a local youth part time.
(1 youth per 12 employees or less. 2 youth per 13-to-18 employees. 3 youth per 19 employees or more.)

The YOUTH INVESTMENT TAX CREDIT

- Creates Jobs and Opportunities
 - Rewards Excellence
 - Rewards Commitment and Relationship Development
 - Increases the Tax Base

The tax credit creates jobs and opportunities where none existed before – beyond fast food and grocery stores. Home-based businesses, one- and two-person enterprises, and contractors of all types could benefit from an apprentice.

Hundreds of jobs could be created that previously did not exist.

The tax credit rewards excellence because young people could compete with other young people to acquire and keep the "apprenticeship" position. For example, a local grocer may have 8 youth working but only 3 are counted as apprentices.

The tax credit rewards commitment and relationship development due to the fact that business owner contractually selects their apprentice(s) for one year. Two W2s that add up to one part-time position do not qualify. The incentive is to commit to and focus on one youth.

Young people can even choose the store they would like to work in and then approach the business owner about the 100% tax-credit concept. The capital invested by the business owner is emotional and professional, not financial.

The tax credit increases the tax base, expands neighborhood cash flow, and strengthens small businesses by

- placing \$3,000,000 into the hands of local youth in the form of wages,
- providing \$3,000,000 in tax credits for local small businesses,
- creating new jobs,
- adding new taxpayers to the rolls, and
- expand DC's tax base from the inside out, not just the often discussed outside in.

Another component of neighborhood economic growth is *savings accumulation*.

INDIVIDUAL DEVELOPMENT ACCOUNTS (or IDAs) have been successful in other areas of the country in creating modest amounts of savings within the inner city. IDAs are savings accounts where the federal government matches the worker's savings 3-to-1 or 5-to-1. So every \$10 a youth saves in an IDA as an apprentice under the 100% Youth Investment Tax Credit it would be matched with \$30 or \$50.

Using this formula, modest amounts of savings accumulate quickly. The IDA savings can only be used for education, business-development, and home-ownership expenses.

Imagine an eighteen-year-old apprentice investing \$2,000 of their IDA savings for new sewing machines in a tailor's shop. Or \$6,000 for a used truck for a small landscaping company. The youth effectively becomes a partner and not just employee. Or being able to afford a one-on-one tutor in a difficult class if they choose to go to college.

Thank you for the opportunity to testify before you today.

Testimony by Curtis Watkins,
President of East Capitol Center for Change
Washington, D.C.

Presented to
The House Subcommittee
On Empowerment

May 11, 1999

Good morning, Mr. Chairman and members of the subcommittee. I am pleased to come to share with you today about my experiences as president of the East Capitol Center for Change (ECCC), a non-profit organization that serves the youth and adult residents of the 577-unit East Capitol public housing development, the largest in the District of Columbia. Being a former resident of this same community and understanding God's purpose for me.

The Center was established in 1996 as an all-volunteer organization to teach, guide, and support residents of this low-income neighborhood so that they can develop productive, successful, spiritually centered lifestyles, empowering them to make a positive difference in their community and to help others to do the same. Since its inception, ECCC has worked closely with the grassroots leadership of the neighborhood, the East Capital Resident Council. Together, we have worked to provide value-based guidance, job training, preparation for entrepreneurship, educational programs, and employment opportunities for the youths and their parents. Those who are assisted through the services of ECCC are encouraged to give back to their neighborhood.

I have learned much through my work with the East Capitol Center for Change. I have learned that, within our nation's most disadvantaged communities lies a wealth of creativity, determination, and practical wisdom. I have learned that those who may have been written off by society possess remarkable talents, a desire to succeed, and a sense of pride in and commitment to their neighborhood. And I have learned that, in reaching and helping our young people, we should aim high. It is not enough to tell them they should not get involved with drugs or drop out of school. Showing them what they can do is just as important -- sometimes more important --- than telling them what they should not do. We must listen to them, we spark their dreams, and we must do all we can to equip them to reach their goals.

The young people who come to the East Capitol Center for Change each day are not simply "at-risk youths." They are the leaders of tomorrow who are in need of nurturing and skills development in order to reach their full potential. They have eagerly responded to the projects and activities that the Center has developed to provide this guidance and training.

Two years ago, we launched a stock investment club. In this club, the youths are given a certain amount of monopoly money, and they then experiment as teams, making stock investments based on the information they receive from daily market reports. At the end of six months, prizes are given to teams with the highest profit records. It's important to raise the sites of our young people, exposing them to the corporate investment world and teaching them how to build wealth by investing in the future. In addition, we have assisted with hands-on experience in entrepreneurship through a number of micro-enterprises including a catering business and a T-shirt printing company.

The parents of these kids also have unheralded skills in financial management. Many have been able to maintain a household, providing food clothing and shelter for their families with the limited income of public assistance. Others have successfully managed their expenses with only a minimum wage job. It is important to recognize and build on the skills of the adults as well, and our youth programs provide many opportunities to get parents involved in the Center's activities. ECCC's mentoring programs are designed to support and uplift - never to replace - the role of parents. Youths are encouraged, and rewarded, for incorporating their parents in the Center's activities. In addition, ECCC offers a number of forums to enhance parenting skills and to promote the self-sufficiency of heads of households, including a Home-Buying seminar, a seminar for fathers to enhance their involvement with their children, and a shoppers' club which purchases in bulk and brings savings of as much as 50% on participants' grocery bills.

Reciprocity and community service is a key element of the Center's philosophy. Through its Time / Dollar volunteer program, families can earn "credits" through various volunteer tasks such as providing homework assistance to children of the neighborhood. The credits can be redeemed for items such as clothing, food, haircuts, and even computers. Each year, neighborhood residents also volunteer their time and talents to present a Fashion Show fund raiser to support the Center's activities.

As young people and their families have had opportunities for training, technical assistance and basic preparation to enter the arenas of employment and entrepreneurship, a new sense of cohesiveness, pride, and security has emerged in the community. I believe the following steps can be taken in the East Capitol community and other low-income neighborhoods to promote the self sufficiency and success of the residents.

- There must be a change in the perception of the capacities of these neighborhoods and their residents which have often been considered as "lost causes."
- Young people should be exposed to business development skills from 1st grade through college.
- Youths should be taught investment principles in the process of their education.
- Tax incentives should be given to community businesses that make a commitment to provide four years of business-skills development for youths.
- Tax incentives should be provided for associations and corporations to develop in-house business development training and internship programs for five years for low-income individuals and youths.
- An easier process should be created for community-based entrepreneurs to register and comply with licensing requirements.
- Community residents should have input regarding the programs that are designed for their neighborhood, to explain what works and what has value to them.

Tragically, our nation spends millions of dollars to incarcerate individuals with hopes of changing their lives and behavior. Investment on the "front end" is much more effective. Young people should be introduced to a positive vision of business development in their early development years, through the community, their schools, and their homes. This vision would be more powerful than a simple job approach in encouraging youths to become involved in productive, positive endeavors and to avoid the lures of crime and illicit behavior. The safety and security of a neighborhood are improved as its residents feel hope for the future and understand, in practical terms, how progress is possible.

Before closing, I must thank God for allowing me the opportunity to work with the East Capitol Resident Council President, Mrs. Evelyn Brown, National Center for Neighborhood Enterprises staff and the East Capitol residents who have been a major part of the East Capitol Center for Change success so far.

TESTIMONY
OF
ALBERT R. HOPKINS, JR.
PRESIDENT & CEO
ANACOSTIA ECONOMIC DEVELOPMENT CORPORATION
BEFORE THE
SUBCOMMITTEE ON EMPOWERMENT
OF THE
HOUSE COMMITTEE ON SMALL BUSINESS
TUESDAY, MAY 11, 1999

GOOD MORNING, MR. CHAIRPERSON AND MEMBERS OF THE SUBCOMMITTEE ON EMPOWERMENT OF THE HOUSE COMMITTEE ON SMALL BUSINESS. I AM ALBERT R. HOPKINS, JR., PRESIDENT AND CEO OF THE ANACOSTIA ECONOMIC DEVELOPMENT CORPORATION (AEDC), A NEIGHBORHOOD BASED COMMUNITY DEVELOPMENT CORPORATION (CDC) ORGANIZED TO HELP ADDRESS THE OVERALL ECONOMIC DEVELOPMENT NEEDS OF ANACOSTIA/FAR SOUTHEAST WASHINGTON. FOUNDED IN 1969 AS A BUSINESS DEVELOPMENT ASSISTANCE AGENCY, AEDC WAS REORGANIZED IN 1974 AS A CDC UNDER TITLE VII OF THE AMENDED 1964 ECONOMIC OPPORTUNITY ACT. SINCE THAT TIME, AEDC HAS PURSUED A MULTI-FACETTED ECONOMIC DEVELOPMENT PROGRAM DESIGNED TO HELP STRENGTHEN THE ECONOMIC BASE OF THE ANACOSTIA/FAR SOUTHEAST COMMUNITY. THE PROGRAM, WHICH IS FUNDED PRIMARILY BY THE DISTRICT OF COLUMBIA'S DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, HAS PLACED MAJOR EMPHASIS ON HOUSING REHABILITATION, COMMERCIAL REVITALIZATION (INCLUDING SMALL/MINORITY BUSINESS ASSISTANCE) AND VENTURE DEVELOPMENT.

AEDC HAS OVER THE PAST TWO (2) YEARS WITNESSED THE INCREASED SENSE OF COMMUNITY PRIDE WHICH OCCURS WHEN BLIGHTED NEIGHBORHOODS ARE CONVERTED TO STRIVING NEIGHBORHOOD COMMERCIAL CENTERS OR CORRIDORS. SAFEWAY, INC. AND AEDC DEVELOPED A 96,5000 SQUARE FOOT SHOPPING CENTER ON AN ABANDONED SEARS DEPARTMENT STORE SITE IN THE ANACOSTIA HILLCREST SECTION OF WASHINGTON, D.C. IN 1997. ANACOSTIA IS A LOW-INCOME COMMUNITY WITH A CRIME RATE REPORTED BY POLICE RECORDS

OF OVER 800 INCIDENTS PER YEAR AND AN UNEMPLOYMENT RATE OF 15% OVER THE NATION'S AVERAGE.

IN DECEMBER OF 1997, THE GOOD HOPE MARKETPLACE OPENED, ANCHORED BY A 55,000 SQUARE FOOT SAFEWAY SUPERSTORE AND 41,500 SQUARE FEET OF 15 SMALLER BUSINESSES INCLUDING A UNITED STATES POST OFFICE, 2 BANKS AND A POLICE SUBSTATION.

THE GOOD HOPE MARKETPLACE HAS INCREASED TAX REVENUE FOR THE DISTRICT AND IMPROVED ACCESS TO GOOD AND SERVICES FOR ANACOSTIA/FAR SOUTHEAST RESIDENTS. EIGHT-TWO CENTS OF EVERY DOLLAR SPENT ON RETAIL GOODS -- OVER \$150 MILLION IN ANNUAL SALES -- WAS BEING SPENT IN THE ADJOINING SUBURBS. THE MARKETPLACE HAS CAPTURED A PORTION OF THOSE DOLLARS, THEREBY, ALLOWING AEDC TO USE THE PROFITS TO REINVEST IN NEW NEIGHBORHOOD PROJECTS.

THE MARKETPLACE HAS CREATED 185 NEW JOBS FOR LOCAL RESIDENTS AND REDUCED CRIME IN THE AREA BY 46%. THIS STRIKING TURN-AROUND SERVES AS A CATALYST FOR CHANGING THE OVERALL DYNAMICS OF THE AREA. THE APPEARANCE OF A WELL-MAINTAINED MODERN SHOPPING CENTER HELPS IN REHABILITATING THE NEGATIVE ATTITUDES THAT PERMEATE THE COMMUNITY.

THIS SUCCESS SERVES AS AN EXAMPLE OF THE BENEFITS THAT A COMMERCIAL SHOPPING CENTER CAN BRING TO A COMMUNITY AND TO THE PARTICIPATING BUSINESSES. THE SAFEWAY SUPERSTORE LOCATED AT THE GOOD HOPE MARKETPLACE IS ONE OF THE MOST PROFITABLE STORES IN THE DISTRICT

OF COLUMBIA'S METROPOLITAN AREA.

THE EFFECTIVENESS OF SUCH A PROJECT IS ALSO REFLECTED IN THE LIFE OF ONE LOCAL BUSINESS OWNER, MR. CALVIN JOHNSON. MR. JOHNSON OWNS AND OPERATES AN ATHLETE'S FOOT STORE IN THE GOOD HOPE MARKETPLACE. MR. JOHNSON GREW UP IN THE ANACOSTIA COMMUNITY AND OPENED HIS FIRST ATHLETE'S FOOT STORE A FEW MILES AWAY IN A SMALLER ANACOSTIA COMMERCIAL STRIP DEVELOPMENT THREE YEARS AGO. DUE TO THE SUCCESS OF THAT STORE, HE WAS ABLE TO OPEN ANOTHER STORE IN THE MARKETPLACE ONE YEAR LATER. MR. JOHNSON IS NOW NEGOTIATING TO RENT AN ADJOINING STORE IN THE MARKETPLACE WHERE HE WILL OPEN ANOTHER FOOTWEAR FRANCHISE. HIS SUCCESS ILLUSTRATES THE POSITIVE IMPACT A SUCCESSFUL COMMERCIAL DEVELOPMENT CAN HAVE ON JUST ONE INDIVIDUAL'S LIFE, NOT TO MENTION THE STAFF OF YOUNG MEN MR. JOHNSON HIRES FROM THE COMMUNITY. THEIR LIVES WILL ALSO BE IMPACTED IN A VERY POSITIVE WAY BY NOT ONLY HAVING A JOB BUT BY HAVING MR. JOHNSON AS A ROLE MODEL TO EMULATE IN THE FUTURE.

WITH RESPECT TO THE COSTS EXPERIENCED BY RETAIL MERCHANTS WHO OPERATE IN BLIGHTED DETERIORATING NEIGHBORHOOD COMMERCIAL CORRIDORS IN UNDERSERVED AREAS, IT IS WELL DOCUMENTED THAT THOSE BUSINESSES IN COMPARISON WITH BUSINESSES IN SAFER AREAS WILL PAY HIGHER INSURANCE PREMIUMS, IF THEY ARE FORTUNATE ENOUGH TO BE OFFERED A POLICY, EXPERIENCE RAPID TURNOVER OF EMPLOYEES, AND BE DENIED BUSINESS LOANS FROM FINANCIAL INSTITUTIONS. IN ADDITION, SUCH BASIC SERVICES AS

MUNICIPAL STREET CLEANING AND REGULAR POLICE PATROLS WILL BE MUCH LESS THAN THAT EXPERIENCED BY MERCHANTS WHO OPERATE IN "BETTER" NEIGHBORHOODS.

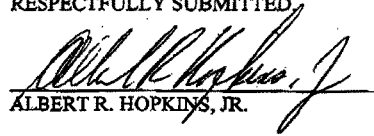
IT WOULD SEEM TO ME TO BE QUITE APPARENT THAT IF THE UNDERSERVED AREAS HAD BETTER PUBLIC SAFETY SERVICES, REGULAR TRASH AND STREET MAINTENANCE SERVICES, ACCESS TO INSURANCE AND LOANS, THEN THE CAUSE AND EFFECT CYCLE WOULD BE BROKEN. COMMUNITY RESIDENTS WOULD HAVE THE OPPORTUNITY TO COME OUT FROM THEIR SHELTERS AND PARTICIPATE IN NORMAL ACTIVITIES, SUCH AS, SHOPPING IN THEIR NEIGHBORHOOD STORES, PROVIDING FACE LIFTS TO ABANDONED BUILDINGS AND BECOMING ACTIVE IN GRASS ROOTS EFFORTS TO RESTORE THEIR COMMUNITY. THE PRACTICE OF "RED LINING" BY FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES, AS WELL AS, THE LACK OF NORMAL PUBLIC SERVICES CONSPIRE TO ENSURE THAT UNDERSERVED NEGLECTED AREAS REMAIN THAT WAY.

IN CONCLUSION, AS A PRESIDENT AND CEO OF A COMMUNITY DEVELOPMENT CORPORATION FOR OVER TWENTY YEARS, IT IS IN MY EXPERT OPINION THAT COMMERCIAL DEVELOPMENT IN THE "UNDER-SERVED" COMMUNITY AND THE PROVISION OF BASIC PUBLIC SERVICES AND ACCESS TO FINANCIAL ASSISTANCE ARE ESSENTIAL COMPONENTS TO DEVELOPING AND MAINTAINING ECONOMIC GROWTH. THE VISION OF CLEAN AND SAFE COMMUNITY SHOPPING CENTERS AND NEIGHBORHOOD COMMERCIAL CORRIDORS FACILITATES IN MAINTAINING AND INCREASING MODERATE-INCOME RESIDENTS WHICH RAISES AN AREA'S TAX BASE.

THEREBY, BENEFITS THE ENTIRE COMMUNITY. THERE ARE NO LOSERS WHEN
MORE REVENUE FLOWS INTO A COMMUNITY.

THANK YOU FOR ALLOWING ME THE OPPORTUNITY TO PRESENT THIS
TESTIMONY TO YOU TODAY.

RESPECTFULLY SUBMITTED

A handwritten signature in cursive script, appearing to read "Albert R. Hopkins, Jr.", is written over a horizontal line.

ALBERT R. HOPKINS, JR.



Latino Economic Development Corporation

Testimony
May 11, 1999
Subcommittee on Empowerment

Good Morning

My name is Celina Treviño Rosales.
I am Executive Director of the Latino Economic Development Corporation (LEDC)
We are a private non profit organization which serves the District of Columbia's
multicultural communities of Adams Morgan and Mount Pleasant.

I thank you for the opportunity to speak about the subject of economic renewal. This is a much talked about and more importantly acted upon phrase in our communities. Commercial corridor revitalization; as we have referred to this movement; has manifested itself in multi level approaches to community development. LEDC has had laudable success with its conceived micro to macro methodology to individual, cluster and community development which have helped to bolster these two communities' revitalization efforts and transform their economic fate.

LEDC works at a grassroots level of business development. Since our initial efforts in Adams Morgan and Mount Pleasant almost two years ago; the cynicism and apathy have been altered to empowerment and defined plan for continued improvements to the community over the long term.

Entrepreneurial spirit is at the core of all commercial corridor revitalization activities. We have caught a wave of small business devotion in our communities which has uplifted the merchants' commitment to the economy and their ability to make their own economic alternatives work.

The merchants' and residents' concerns and complaints regarding primarily cleanliness and safety were not being addressed as quickly and as permanently as they desired. These urban, multi-ethnic, multiclass, and multicultural neighborhoods required a comprehensive work strategy and simultaneous points of actions to gain resolution.

So much had been promised to these communities from government and non government entities alike. A new, self reliant community based approach was needed. LEDC's development strategy has been to use the existing independent essence to make the merchants and surrounding resources be their own system of action for commercial corridor revitalization. Adams Morgan and Mount Pleasant comprising 340 businesses are unique in that over 90% of the commerce on the street are from independent / small businesses with no more than 5 employees in any store. Despite the significant small business presence--no huge franchises such as the Gap or Wal Mart reside on our commercial corridors--the small businesses provide well for these urban neighborhoods' everyday and entertainment needs.

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LEDC is a 501 (c) (3) tax exempt organization supported by the DC Department of Housing and Community Development, the Community Development support Collaborative, Private Funders, and individual contributions.

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These small businesses are vested in the community independently and have learned that as a united force they can now positively drive the economic base of their corridors. These merchants now seek direction and collaboration opportunities. Creative resource pooling and implementation of a voluntary business improvement district has yielded the collaborative results ranging from small project undertakings such as contracting with a non profit organization; Ready Willing and Able to supplement clean up along the commercial corridor, banner design and installation, the purchase of new trash cans, refurbishment of lamp posts, anti -panhandling campaigns to larger undertakings such as facade improvements for 125 of 250 storefronts in both communities, creation of master urban design plans serving as blueprints for long term improvements as well as implementation of a formal Neighborhood Business Improvement District..

One of the more evident clues that our revitalization efforts are taking hold in the community are the recent design activity for 52 storefronts in Mount Pleasant beginning construction this June. Mount Pleasant; eight years ago the site of civil unrest and riotous activity; is now a more tranquil and confident community. The most recent round of facade improvement designs for this once rough neighborhood includes less intrusive safety measures for the storefronts. Merchants and residents alike are now enjoying the prideful benefits of their two year labor and the true lesson of community building.

LEDC's purpose is to build foundations and promote sustainability be it for the individual, cluster or an entire community. We work hands on, knee deep and whole heartedly with our merchants and target communities with expansive results which have provided systems for advancement on our commercial corridors. The infrastructure now established provides a venue to seek out useful partners and develop productive vehicles for communication and activism. Small Business development in our communities is taken seriously and cherished. Revitalization and the costs and energy that it entails are seen as a part of conducting "responsible" business on our commercial corridors. It does takes an entire community to influence economic change.

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